

Bookkeeping Bits

I Show A Profit But....

My business bank account is at zero? What happened? Regularly I hear different versions of this question. Many times business owners equate profitability with cash flow. The two are often inversely related.

Case in point – most businesses that begin to grow quickly are profitable, some showing large profits. However, the problem is the growing business needs to invest in fixed assets, expand inventory, and may see increasing accounts receivable due to the growth in sales. The net income of the business is seldom sufficient to cover the increase in these assets. This gap between net income and the increase in assets has to be covered somehow, and many businesses turn to a line of credit or fixed term borrowing. This in turn increases debt service requirements, which can

also put pressure on cash flow. Furthermore, income taxes can create cash flow restraints for growing businesses and their owners. Finally, principal debt repayments and accounts payable reductions do not reflect in profit and loss but are direct drains on cash.

I remember an accounting professor telling us businesses can be unprofitable for years and remain in business, and he cited the Old Milwaukee Railroad as an example. The Railroad lost money for most of 40 years before it finally succumbed to insolvency. The professor went on to cite examples of profitable businesses that went belly-up due to cash flow issues. Don't get me wrong, profitability is important. But it is just the first piece of the larger business puzzle.

Each month I review the balance sheet and cash flow statement with my large bookkeeping clients. Having an accurate balance sheet can pinpoint what is creating your cash flow issues. The cash flow statement does nothing more than highlight changes in the balance sheet for a specified period of time. The goal is to pick out how the business net income translates to changes in the cash balance for the business.

There is nothing more frustrating than seeing your business grow right out of cash. If you are struggling with these issues, feel free to call me. Sometimes I can help sort through the financial information and help bring some clarity to the situation.



Bruce Knudsen is the Owner of Online Bookkeeping Inc and Knudsen Accounting. He can be reached at 406-294-7612

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Tax Tips

From Knudsen Accounting Services, P.C.

Haiti Relief Donations Qualify for Immediate Tax Relief

People who give to charities providing earthquake relief in Haiti can claim these donations on the tax return they are completing this season, according to the IRS.

Taxpayers who itemize deductions on their 2009 return qualify for this special tax relief provision. Only cash contributions made to these charities after Jan. 11, 2010 and before March 1, 2010 are eligible. This includes contributions made by text message, check, credit or debit card.

The new law only applies to cash (as opposed to property) contributions. The contributions must be made specifically for the relief of victims in areas affected by the Jan. 12 earthquake in Haiti. Taxpayers have the option of deducting these contributions on either their 2009 or 2010 returns, but not both.

To get a tax benefit, taxpayers must itemize their deductions on Schedule A. Those who claim the standard deduction, including all short-form filers, are not eligible.

If you have any questions please call Knudsen Accounting 406-248-5487

Meet the Staff



Meet **Peggy Dedman**, OBI's Implementation Accountant who lives in Ennis, MT. Peggy joined Online Bookkeeping Services in March, 2009 and currently works on new clients learning their unique systems and transitioning them to an online system.

Peggy earned her Bachelor of Science Degree in Business Administration with an Accounting emphasis from Marquette University in Milwaukee, WI. Peggy began her career in Boston, MA working for a real estate accounting firm. She then spent the majority of her career working for Marriott International moving her way up in Hotel Accounting positions and working on Marriott's Project Mercury which implemented new Accounting systems in all North American hotels.

Peggy moved to Montana after falling in love with her husband whom she met while skiing with a high school friend in Ennis. They were married last August and enjoy exploring Montana and beyond riding on his Harley.

Peggy can be reached at peggy@bookkeepingservicesonline.com or 294-7620.

QuickBooks Tips—Keyboard Short Cuts

By: Nancy Howell, Manager of New Client Implementation
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QuickBooks allows you to enter data by either using the mouse or the keyboard. Using the mouse to "point and click" can be very user friendly, especially for newer QuickBooks users. But if you're ready to speed up your data entry, you'll want to consider moving to a "keyboard only" method. QuickBooks has lots of "behind the scenes" shortcuts to allow you to enter data using only the keyboard. These time savers work in all of the various windows and forms within QuickBooks.

For starters, QuickBooks offers you the choice of advancing to the next data field with either the "tab" or the "enter" keys. (The default, and more commonly used option, is the "tab" key, but you can change it to the "enter" key in your personal preferences). If this hasn't already become second nature, you'll want to start "tabbing" through your fields to save time, rather than reaching for the mouse. And if you've tabbed too far, you can "shift tab" to reverse.

And of course, if you begin typing a name or item, QuickBooks will find the item from the list to pre-fill for you so that you don't have to point and click.

There are also a number of hidden shortcuts for the **Date** field. QuickBooks remembers and suggests the "last date entered" for most of the QuickBooks forms. Instead of using the provided calendar to click and find an alternate date, you can use any of the following shortcuts to quickly find the date you want without lifting your fingers from the keyboard.

- ◇ If you want to advance to the next day, use the + key.
- ◇ To go back to previous day, use the—key.
- ◇ You can type the month and day, and QuickBooks will finish the rest of the date, defaulting to the current year.

Here are some other handy "Date" options:

- ◇ **T** for Today's date
- ◇ **W** (first letter of **Week**) for the First day of the **Week**

- ◇ **"K"** (last letter of wee**K**) for the Last day of the wee**K**
- ◇ **"M"** for the first day of the **Month**
- ◇ **"H"** for the last day of the mont**H**
- ◇ **"Y"** for the first day of the **Year**
- ◇ **"R"** for the last day of the year**R**

Here are a few more keyboard commands that will also keep your hands from reaching for the mouse:

| KEY | Action |
|----------|--|
| Ctrl-Del | Delete the selected line in a transaction |
| Ctrl-Ins | Insert a blank detail line in a transaction |
| Ctrl-N | Create a new transaction or list item |
| Ctrl-D | Delete the current transaction or list item. Please note that you cannot reverse this once done, usually |
| Ctrl-E | Edit an item in an item list, or in a register |

Final Tip:When needing to check or uncheck a box or radio button, just use the space bar.

Upcoming Dates

February 26th is the deadline for filing IRS form 1096, Form W-3 and Copy A of all forms W-2 that were issued for the previous calendar year.



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